

CITY OF OKOBOJI

**INDEPENDENT AUDITORS' REPORT
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND SCHEDULE OF FINDINGS**

JUNE 30, 2006

CITY OF OKOBOJI

TABLE OF CONTENTS

		<u>Page No.</u>
Officials		1
Independent Auditors' Report		2 - 3
Basic Financial Statements:		
	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets - Cash Basis	A	4 - 5
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	6 - 7
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Change in Cash Balance	C	8
Notes to Financial Statements		9 - 14
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Fund		15 - 16
Notes to Required Supplementary Information - Budgetary Reporting.		17
Other Supplementary Information:		
	<u>Schedule</u>	
Schedule of Indebtedness	1	18 - 19
Bond and Note Maturities	2	20 - 21
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	3	22
Combining Schedule of Cash Transactions - General Fund	4	23 - 28
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters		29 - 30
Schedule of Findings		31 - 32

CITY OF OKOBOJI

CITY OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
(Before January, 2006)		
Ralph R. Schneider	Mayor	December 31, 2005
Jim Delperdang	Council Member	December 31, 2007
Sharlene Eckard	Council Member	December 31, 2005
David Thoreson	Council Member	December 31, 2005
Sue Larsen	Council Member	December 31, 2005
Les Marousek	Council Member	December 31, 2007
Dennis Daly	City Administrator / Clerk	December 31, 2005
(After January, 2006)		
Mary Vander Woude	Mayor	December 31, 2007
Jim Delperdang	Council Member	December 31, 2007
Sharlene Eckard	Council Member	December 31, 2009
Sue Larsen	Council Member	December 31, 2009
Les Marousek	Council Member	December 31, 2007
Jerry Robinson	Council Member	December 31, 2009
Dennis Daly	City Administrator / Clerk	December 31, 2007
Michael Chozen	City Attorney	December 31, 2007

WINTHER, STAVE & CO., LLP
Certified Public Accountants

1316 West 18th Street
P.O. Box 175
Spencer, Iowa 51301-0175
Phone 712-262-3117
FAX 712-262-3159

1004 21st Street #4
P.O. Box 187
Milford, Iowa 51351
Phone 712-338-2488
FAX 712-338-2510

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Okoboji
Okoboji, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, and each major fund of the primary government of the City of Okoboji, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits, contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The financial statements referred to above include only the primary government of the City of Okoboji, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, if any, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position - cash basis of the reporting entity of the City of Okoboji as of June 30, 2006, and the changes in its financial position - cash basis for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, and each major fund for the primary government of the City of Okoboji, as of June 30, 2006 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2007 on our consideration of the City of Okoboji's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 15 through 17 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

The City has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insight on that information that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City's primary government. The financial statements for the three years ended June 30, 2005 (none of which are presented herein) were previously audited, in accordance with the standards referred to in the second paragraph of this report, by other auditors who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Wintner, Steve HC ZHP

March 23, 2007

BASIC FINANCIAL STATEMENTS

CITY OF OKOBOJI
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

		Program Receipts	
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Public safety	\$ 275,750		
Public works	330,831	\$ 11,954	\$ 68,655
Culture and recreation	35,711		
Community and economic development	142,225		
General government	321,609	7,298	
Debt service	561,211		4,500
Capital projects	1,308,172		
Total governmental activities	<u>2,975,509</u>	<u>19,252</u>	<u>73,155</u>
Business-type activities:			
Water	<u>228,706</u>	<u>221,247</u>	
Total business-type activities	<u>228,706</u>	<u>221,247</u>	
TOTAL	<u>\$3,204,215</u>	<u>\$240,499</u>	<u>\$ 73,155</u>
General Receipts:			
Property taxes levied for:			
General purposes			
Tax increment financing collections			
Debt service			
Local option sales tax			
Hotel/motel tax			
Grants and contributions not restricted to specific purpose			
Unrestricted interest on investments			
Bond proceeds			
Miscellaneous			
Sales of assets			
Transfers			
Total general receipts and transfers			
Change in cash basis net assets			
Cash basis net assets - beginning of year			
Cash basis net assets - end of year			
Cash basis net assets			
Restricted:			
Streets			
Urban renewal purpose			
Debt service			
Capital projects			
Unrestricted			
Total cash basis net assets			

Exhibit A

Net (Disbursement) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (275,750)		\$ (275,750)
(250,222)		(250,222)
(35,711)		(35,711)
(142,225)		(142,225)
(314,311)		(314,311)
(556,711)		(556,711)
<u>(1,308,172)</u>		<u>(1,308,172)</u>
<u>(2,883,102)</u>		<u>(2,883,102)</u>
	\$ (7,459)	(7,459)
	<u>(7,459)</u>	<u>(7,459)</u>
<u>(2,883,102)</u>	<u>(7,459)</u>	<u>(2,890,561)</u>
451,564		451,564
340,613		340,613
326,918		326,918
140,819		140,819
232,288		232,288
4,606		4,606
33,710	2,087	35,797
1,750,000		1,750,000
49,410		49,410
37,500		37,500
<u>3,000</u>	<u>(3,000)</u>	
<u>3,370,428</u>	<u>(913)</u>	<u>3,369,515</u>
487,326	(8,372)	478,954
<u>1,171,928</u>	<u>280,425</u>	<u>1,452,353</u>
<u>\$1,659,254</u>	<u>\$272,053</u>	<u>\$1,931,307</u>
\$ 113,773		\$ 113,773
94,354		94,354
958,916		958,916
187,871		187,871
<u>304,340</u>	<u>\$272,053</u>	<u>576,393</u>
<u>\$1,659,254</u>	<u>\$272,053</u>	<u>\$1,931,307</u>

See Notes to Financial Statements

CITY OF OKOBOJI
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

		<u>Special Revenue</u>	
	<u>General</u>	<u>Road Use Tax</u>	<u>Urban Renewal Tax Increment</u>
RECEIPTS:			
Property tax	\$ 451,564		
Tax increment financing collections			\$340,613
Other city tax	369,453		
Licenses and permits	7,298		
Use of money and property	10,686		
Intergovernmental	4,606	\$ 68,655	
Charges for service	11,954		
Miscellaneous	<u>48,516</u>		
TOTAL RECEIPTS	<u>904,077</u>	<u>68,655</u>	<u>340,613</u>
DISBURSEMENTS:			
Operating:			
Public safety	275,750		
Public works	237,382	93,449	
Culture and recreation	35,711		
Community and economic development	142,225		
General government	321,609		
Debt service			108,854
Capital projects			<u>584,209</u>
TOTAL DISBURSEMENTS	<u>1,012,677</u>	<u>93,449</u>	<u>693,063</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(108,600)</u>	<u>(24,794)</u>	<u>(352,450)</u>
OTHER FINANCING SOURCES:			
Operating transfers in	3,000		
Bond proceeds			
Sale of assets	<u>37,500</u>		
TOTAL OTHER FINANCING SOURCES	<u>40,500</u>		
NET CHANGE IN CASH BALANCES	(68,100)	(24,794)	(352,450)
CASH BALANCES - BEGINNING OF YEAR	<u>372,440</u>	<u>138,567</u>	<u>446,804</u>
CASH BALANCES - END OF YEAR	<u>\$ 304,340</u>	<u>\$113,773</u>	<u>\$ 94,354</u>
CASH BASIS FUND BALANCES:			
Reserved:			
Debt service			
Unreserved:			
General fund	\$ 304,340		
Special revenue funds		\$113,773	\$ 94,354
Capital projects fund			
TOTAL CASH BASIS FUND BALANCES	<u>\$ 304,340</u>	<u>\$113,773</u>	<u>\$ 94,354</u>

Exhibit B

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 326,918		\$ 778,482
		340,613
3,654		373,107
		7,298
23,024		33,710
		73,261
		11,954
<u>4,500</u>	<u>\$ 894</u>	<u>53,910</u>
<u>358,096</u>	<u>894</u>	<u>1,672,335</u>
		275,750
		330,831
		35,711
		142,225
		321,609
448,928	3,429	561,211
	<u>723,963</u>	<u>1,308,172</u>
<u>448,928</u>	<u>727,392</u>	<u>2,975,509</u>
<u>(90,832)</u>	<u>(726,498)</u>	<u>(1,303,174)</u>
		3,000
1,045,000	705,000	1,750,000
		37,500
<u>1,045,000</u>	<u>705,000</u>	<u>1,790,500</u>
954,168	(21,498)	487,326
<u>4,748</u>	<u>209,369</u>	<u>1,171,928</u>
<u>\$ 958,916</u>	<u>\$187,871</u>	<u>\$1,659,254</u>
\$ 958,916		\$ 958,916
		304,340
		208,127
	<u>\$187,871</u>	<u>187,871</u>
<u>\$ 958,916</u>	<u>\$187,871</u>	<u>\$1,659,254</u>

See Notes to Financial Statements

CITY OF OKOBOJI
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGE IN CASH BALANCE
PROPRIETARY FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

	<u>Water</u>
OPERATING RECEIPTS:	
Charges for service	\$201,044
Sales tax	12,866
Deposits	1,400
Miscellaneous	5,937
TOTAL OPERATING RECEIPTS	<u>221,247</u>
OPERATING DISBURSEMENTS:	
Business type activities:	
Personal services	63,681
Contractual services	1,500
Services and commodities	143,353
Sales tax	12,722
Capital outlay	6,100
Deposit refund	1,350
TOTAL OPERATING DISBURSEMENTS	<u>228,706</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	(7,459)
NON-OPERATING RECEIPTS:	
Interest on investments	2,087
OPERATING TRANSFERS IN (OUT)	<u>(3,000)</u>
NET CHANGE IN CASH BALANCE	(8,372)
CASH BALANCE - BEGINNING OF YEAR	<u>280,425</u>
CASH BALANCE - END OF YEAR	<u>\$272,053</u>
CASH BASIS FUND BALANCE:	
Unreserved	<u>\$272,053</u>

CITY OF OKOBOJI
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Okoboji is a political subdivision of the State of Iowa located in Dickinson County. It was first incorporated in 1929 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements and general government services. The City also provides water utility services for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Okoboji has included all funds, organizations, agencies, boards, commissions and authorities. These financial statements present the primary government of the City of Okoboji but do not include component units or any other organizations, if any, for which it would be financially accountable.

The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

Jointly Governed Organizations - The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dickinson County Assessor's Conference Board, Dickinson County Emergency Management Commission, Dickinson County Landfill Commission, and Dickinson County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements. There are no governmental funds reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary fund:

The Water Fund accounts for the operation and maintenance of the City's water system.

C. Measurement Focus and Basis of Accounting

The City of Okoboji maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public safety and debt service functions.

2. DEPOSITS AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2006 were entirely covered by Federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

At June 30, 2006, \$949,967 was held in trust on behalf of the City from the \$1,045,000 proceeds of general obligation refunding notes issued during the year. The funds are maintained by the trustee in insured deposit accounts and U.S. Treasury notes.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation notes and bonds are as follows:

Year Ending June 30,	General Obligation Notes and Bonds	
	Principal	Interest
2007	\$ 595,000	\$164,188
2008	520,000	131,283
2009	445,000	113,409
2010	400,000	96,952
2011	660,000	81,418
2012 - 2016	655,000	193,856
2017 - 2020	<u>470,000</u>	<u>60,510</u>
Total	<u>\$3,745,000</u>	<u>\$841,616</u>

4. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary, and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$26,799, \$23,044, and \$21,838, respectively, equal to the required contributions for each year.

5. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2006 is \$9,838. This liability has been computed based on rates of pay as of June 30, 2006.

6. RISK MANAGEMENT

The City of Okoboji is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2006 were \$28,243.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its capital contributions; however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City of Okoboji also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation and general liability. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

7. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Proprietary: Water	<u>\$ 3,000</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

8. LITIGATION

The City is party to routine legal proceedings and litigation arising in the normal course of governmental operations. These legal proceedings are not expected to have a material adverse impact on the City's financial condition.

9. CONSTRUCTION COMMITMENT

At June 30, 2007, the City had a construction contract for a building project totaling \$1,367,000, of which approximately \$110,000 remained outstanding. The balance of the contract will be paid as work on the project progresses.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OKOBOJI
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2006

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>	Less Funds Not Required to be <u>Budgeted</u>
RECEIPTS:			
Property tax	\$ 778,482		
Tax increment financing collections	340,613		
Other city tax	373,107		
Licenses and permits	7,298		
Use of money and property	33,710	\$ 2,087	\$ 23,024
Intergovernmental	73,261		
Charges for service	11,954	221,247	
Miscellaneous	53,910		
TOTAL RECEIPTS	<u>1,672,335</u>	<u>223,334</u>	<u>23,024</u>
DISBURSEMENTS:			
Public safety	275,750		
Public works	330,831		
Culture and recreation	35,711		
Community and economic development	142,225		
General government	321,609		
Debt service	561,211		118,057
Capital projects	1,308,172		
Business-type activities		<u>228,706</u>	
TOTAL DISBURSEMENTS	<u>2,975,509</u>	<u>228,706</u>	<u>118,057</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,303,174)	(5,372)	(95,033)
OTHER FINANCING SOURCES (USES) - NET	<u>1,790,500</u>	<u>(3,000)</u>	<u>1,045,000</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING SOURCES	487,326	(8,372)	949,967
CASH BALANCES - BEGINNING OF YEAR	<u>1,171,928</u>	<u>280,425</u>	
CASH BALANCES - END OF YEAR	<u>\$1,659,254</u>	<u>\$ 272,053</u>	<u>\$ 949,967</u>

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 778,482	\$ 778,068	\$ 785,886	\$ (7,404)
340,613	300,000	320,000	20,613
373,107	368,168	368,168	4,939
7,298	11,300	11,300	(4,002)
12,773	15,436	15,436	(2,663)
73,261	70,290	70,290	2,971
233,201	232,000	232,000	1,201
53,910	19,450	21,450	32,460
<u>1,872,645</u>	<u>1,794,712</u>	<u>1,824,530</u>	<u>48,115</u>
275,750	252,059	269,659	(6,091)
330,831	434,151	469,151	138,320
35,711	34,100	37,400	1,689
142,225	159,004	188,245	46,020
321,609	303,360	331,460	9,851
443,154	334,576	338,563	(104,591)
1,308,172	800,000	1,523,963	215,791
<u>228,706</u>	<u>232,965</u>	<u>232,965</u>	<u>4,259</u>
<u>3,086,158</u>	<u>2,550,215</u>	<u>3,391,406</u>	<u>305,248</u>
(1,213,513)	(755,503)	(1,566,876)	353,363
<u>742,500</u>		<u>702,465</u>	<u>40,035</u>
(471,013)	(755,503)	(864,411)	<u>\$393,398</u>
<u>1,452,353</u>	<u>1,098,618</u>	<u>988,697</u>	
<u>\$ 981,340</u>	<u>\$ 343,115</u>	<u>\$ 124,286</u>	

CITY OF OKOBOJI
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
JUNE 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$841,191. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public safety and debt service functions.

OTHER SUPPLEMENTARY INFORMATION

CITY OF OKOBOJI
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2006

<u>Obligation</u>	<u>Date of Issue</u>	<u>Amount Interest Rates</u>	<u>Originally Issued</u>
General Obligation Capital Loan Notes	June 1, 1999	4.25 - 4.50%	<u>\$ 200,000</u>
General Obligation Capital Loan Notes *	August 1, 2000	5.30 - 5.75%	<u>\$1,075,000</u>
General Obligation Bonds	April 1, 2002	3.00 - 4.55%	<u>\$ 850,000</u>
Paid from Debt Service			
Paid from TIF			
Total			
General Obligation Capital Loan Notes	October 1, 2002	1.60 - 3.85%	<u>\$ 350,000</u>
General Obligation Refunding Bonds	May 1, 2004	1.48 - 2.50%	<u>\$ 600,000</u>
General Obligation Bonds	October 1, 2005	3.00 - 3.20%	<u>\$ 705,000</u>
General Obligation Refunding Notes	October 1, 2005	3.00 - 4.35%	<u>\$1,045,000</u>
Paid from Debt Service			
Paid from TIF			
Total			
TOTAL			

* Notes will be paid with proceeds of 2005 General Obligation Refunding Notes being held in escrow.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 80,000		\$ (20,000)	\$ 60,000	\$ 3,490	
960,000		(40,000)	920,000	52,390	
		(50,000)		16,890	
		(30,000)		10,485	
640,000		(80,000)	560,000	27,375	
290,000		(30,000)	260,000	9,540	
430,000		(170,000)	260,000	9,020	
	\$ 705,000		705,000		
		(15,000)		6,931	
		(50,000)		18,369	
	1,045,000	(65,000)	980,000	25,300	
\$2,400,000	\$1,750,000	\$(405,000)	\$3,745,000	\$127,115	

CITY OF OKOBOJI
BOND AND NOTE MATURITIES
JUNE 30, 2006

Year Ending June 30,	General Obligation Bonds and Notes							
	Capital Loan Notes Issued 6-1-1999		Capital Loan Notes Issued 8-1-2000		Capital Project Bonds Issued 4-1-2002		Capital Loan Notes Issued 10-1-2002	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2007	4.30%	\$ 20,000	5.30%	\$ 40,000	4.10%	\$ 80,000	2.70%	\$ 35,000
2008	4.40	20,000	5.30	45,000	4.25	90,000	3.00	35,000
2009	4.50	20,000	5.30	50,000	4.30	90,000	3.25	35,000
2010			5.30	65,000	4.35	95,000	3.45	35,000
2011			5.30	255,000	4.45	100,000	3.60	40,000
2012			5.35	40,000	4.55	105,000	3.75	40,000
2013			5.40	45,000			3.85	40,000
2014			5.50	45,000				
2015			5.60	50,000				
2016			5.65	50,000				
2017			5.70	55,000				
2018			5.75	55,000				
2019			5.75	60,000				
2020			5.75	65,000				
TOTALS		<u>\$ 60,000</u>		<u>\$920,000</u>		<u>\$560,000</u>		<u>\$260,000</u>

Refunding Bonds Issued 5-1-2004		Capital Project Bonds Issued 10-1-2005		Refunding Notes Issued 10-1-2005		
<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Total</u>
2.20%	\$180,000	3.00%	\$190,000	3.00%	\$ 50,000	\$ 595,000
2.50	80,000	3.05	195,000	3.15	55,000	520,000
		3.00	190,000	3.25	60,000	445,000
		3.20	130,000	3.35	75,000	400,000
				3.45	265,000	660,000
				3.55	45,000	230,000
				3.65	50,000	135,000
				3.75	45,000	90,000
				3.85	50,000	100,000
				3.95	50,000	100,000
				4.05	55,000	110,000
				4.15	55,000	110,000
				4.25	60,000	120,000
				4.35	65,000	130,000
	<u> </u>		<u> </u>		<u> </u>	<u> </u>
3.00%	<u>\$260,000</u>	3.00%	<u>\$705,000</u>	3.00%	<u>\$980,000</u>	<u>\$3,745,000</u>

CITY OF OKOBOJI
 SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST FOUR YEARS

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
RECEIPTS:				
Property Tax	\$ 778,482	\$ 741,016	\$ 670,899	\$ 636,218
Tax Increment Financing Collections	340,613	324,043	260,566	224,741
Other City Tax	373,107	363,002	358,850	366,651
Licenses and Permits	7,298	9,928	16,183	5,454
Use of Money and Property	33,710	6,661	5,552	27,907
Intergovernmental	73,261	76,800	76,078	95,643
Charges for Services	11,954	16,886		
Special Assessments		1,856	22,266	45,629
Miscellaneous	<u>53,910</u>	<u>51,941</u>	<u>60,004</u>	<u>94,044</u>
TOTAL	<u>\$1,672,335</u>	<u>\$1,592,133</u>	<u>\$1,470,398</u>	<u>\$1,496,287</u>
DISBURSEMENTS:				
Operating:				
Public Safety	\$ 275,750	\$ 253,819	\$ 216,384	\$ 262,643
Public Works	330,831	443,906	152,108	210,582
Culture and Recreation	35,711	18,345	17,132	63,718
Community and Economic Development	142,225	188,613	150,192	69,250
General Government	321,609	370,559	322,433	303,440
Debt Service	561,211	435,825	1,327,440	403,392
Capital Projects	<u>1,308,172</u>	<u>84,713</u>	<u>24,587</u>	<u>1,063,292</u>
TOTAL	<u>\$2,975,509</u>	<u>\$1,795,780</u>	<u>\$2,210,276</u>	<u>\$2,376,317</u>

CITY OF OKOBOJI
COMBINING SCHEDULE OF CASH TRANSACTIONS
GENERAL FUND
YEAR ENDED JUNE 30, 2006

	<u>Operating</u>	<u>Special IES</u>	<u>Special Police</u>
RECEIPTS:			
Property tax	<u>\$451,564</u>		
Other city tax:			
Mobile home tax	2,058		
Local option sales tax	140,819		
Hotel/motel tax	220,849		
Utility replacement	<u>5,727</u>		
Total other city tax	<u>369,453</u>		
Licenses and permits:			
Beer and liquor	475		
Cigarette	450		
Plumbers	375		
Construction	<u>5,998</u>		
Total licenses and permits	<u>7,298</u>		
Use of money and property: interest on investments	<u>4,014</u>		
Intergovernmental: liquor licenses	<u>4,606</u>		
Charges for services: sanitation	<u>11,954</u>		
Miscellaneous:			
Court fines	3,410		
Cable TV franchise fee	12,385		
Sanitation franchise fee	5,000		
Refunds	894		
Zoning fees	1,043		
Miscellaneous	<u>12,848</u>	<u>\$ 12,936</u>	
Total miscellaneous	<u>35,580</u>	<u>12,936</u>	
 TOTAL RECEIPTS	 <u>884,469</u>	 <u>12,936</u>	

Schedule 4

<u>Tourism Committee</u>	<u>Equipment</u>	<u>Total</u>
_____	_____	<u>\$ 451,564</u>
		2,058
		140,819
		220,849
_____	_____	<u>5,727</u>
_____	_____	<u>369,453</u>
		475
		450
		375
_____	_____	<u>5,998</u>
_____	_____	<u>7,298</u>
<u>\$ 1,542</u>	<u>\$ 5,130</u>	<u>10,686</u>
_____	_____	<u>4,606</u>
_____	_____	<u>11,954</u>
		3,410
		12,385
		5,000
		894
		1,043
_____	_____	<u>25,784</u>
_____	_____	<u>48,516</u>
<u>1,542</u>	<u>5,130</u>	<u>904,077</u>

CITY OF OKOBOJI
COMBINING SCHEDULE OF CASH TRANSACTIONS - Continued
GENERAL FUND
YEAR ENDED JUNE 30, 2006

	<u>Operating</u>	<u>Special IES</u>	<u>Special Police</u>
DISBURSEMENTS:			
Public safety:			
Police:			
Personal services	\$170,377		
Commodities	25,986		\$ 1,000
Capital outlay	8,000		
Fire:			
Personal services	15,648		
Contractual services	2,500		
Commodities	33,134		
Emergency management	615		
Animal control	2,400		
Total public safety	<u>258,660</u>		<u>1,000</u>
Public works:			
Roads, bridges and sidewalks:			
Personal services	70,193	\$ 3,675	
Contractual services	2,400		
Commodities	30,197		
Capital outlay			
Sanitary sewer:			
Commodities	9,878		
Street lighting	76,211		
Traffic control	8,545		
Garbage and recycling:			
Commodities	16,113	2,410	
Total public works	<u>213,537</u>	<u>6,085</u>	
Culture and Recreation:			
Library	13,000		
Little League	600		
Public areas:			
Commodities	6,563		
Capital outlay	15,548		
Total culture and recreation	<u>35,711</u>		
Community and economic development:			
Tourism			
Save the Park fund	10,000		
Lakes Art Center	5,000		
YMCA	12,500		
Other	18,225		
Total community and economic development	<u>45,725</u>		

Schedule 4

<u>Tourism Committee</u>	<u>Equipment</u>	<u>Total</u>
		\$ 170,377
		26,986
	\$ 16,090	24,090
		15,648
		2,500
		33,134
		615
		<u>2,400</u>
<u> </u>	<u>16,090</u>	<u>275,750</u>
		73,868
		2,400
		30,197
	17,760	17,760
		9,878
		76,211
		8,545
		<u>18,523</u>
<u> </u>	<u>17,760</u>	<u>237,382</u>
		13,000
		600
		6,563
<u> </u>	<u> </u>	<u>15,548</u>
<u> </u>	<u> </u>	<u>35,711</u>
\$ 96,500		96,500
		10,000
		5,000
		12,500
		<u>18,225</u>
<u>96,500</u>	<u> </u>	<u>142,225</u>

CITY OF OKOBOJI
COMBINING SCHEDULE OF CASH TRANSACTIONS - Continued
GENERAL FUND
YEAR ENDED JUNE 30, 2006

	<u>Operating</u>	<u>Special IES</u>	<u>Special Police</u>
DISBURSEMENTS:			
General government:			
Mayor and council members:			
Personal services	\$ 7,803		
Clerk/treasurer:			
Personal services	47,855		
Commodities	16,364		
City hall:			
Commodities	12,435	\$ 11,975	
Legal and professional:			
Contractual services	52,070	1,850	
Insurance	37,344		
Payroll taxes	52,935		
Employee insurance	<u>80,978</u>		
Total general government	<u>307,784</u>	<u>13,825</u>	
TOTAL DISBURSEMENTS	<u>861,417</u>	<u>19,910</u>	<u>\$ 1,000</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>23,052</u>	<u>(6,974)</u>	<u>(1,000)</u>
OTHER FINANCING SOURCES (USES):			
Transfers in			
Transfer out	(144,891)		
Sale of assets	<u>37,500</u>		
TOTAL OTHER FINANCING SOURCES (USES) - NET	<u>(107,391)</u>		
NET CHANGE IN CASH BALANCES	(84,339)	(6,974)	(1,000)
CASH BALANCE - BEGINNING OF YEAR	<u>52,624</u>	<u>29,707</u>	<u>3,418</u>
CASH BALANCE - END OF YEAR	<u>\$ (31,715)</u>	<u>\$ 22,733</u>	<u>\$ 2,418</u>

Schedule 4

<u>Tourism Committee</u>	<u>Equipment</u>	<u>Total</u>
		\$ 7,803
		47,855
		16,364
		24,410
		53,920
		37,344
		52,935
		80,978
		<u>321,609</u>
<u>\$ 96,500</u>	<u>\$ 33,850</u>	<u>1,012,677</u>
<u>(94,958)</u>	<u>(28,720)</u>	<u>(108,600)</u>
117,891	30,000	147,891
		(144,891)
		<u>37,500</u>
<u>117,891</u>	<u>30,000</u>	<u>40,500</u>
22,933	1,280	(68,100)
<u>118,179</u>	<u>168,512</u>	<u>372,440</u>
<u>\$141,112</u>	<u>\$169,792</u>	<u>\$ 304,340</u>

WINTHER, STAVE & Co., LLP
Certified Public Accountants

1316 West 18th Street
P.O. Box 175
Spencer, Iowa 51301-0175
Phone 712-262-3117
FAX 712-262-3159

1004 21st Street #4
P.O. Box 187
Milford, Iowa 51351
Phone 712-338-2488
FAX 712-338-2510

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

To the Honorable Mayor and
Members of the City Council
City of Okoboji, IA 51355

We have audited the financial statements of the City of Okoboji, Iowa, as of and for the year ended June 30, 2006, and have issued our report thereon dated March 23, 2007. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Okoboji's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted one matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Okoboji's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above, item I-A-06, is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Okoboji's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Okoboji and other parties whom the City of Okoboji may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Okoboji during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in black ink, appearing to read "Wintner, Steve C LHP". The signature is written in a cursive, flowing style.

March 23, 2007

CITY OF OKOBOJI
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006

Part I: Findings Related to the Financial Statements

Instances of Noncompliance:

No matters were noted

Reportable Condition:

I-A-06 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider a review of our control procedures.

Conclusion - Response accepted.

CITY OF OKOBOJI
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2006

Part II: Other Findings Related to Required Statutory Reporting

- II-A-06 Certified Budget - Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the public safety and debt service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- II-B-06 Questionable Disbursements - We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-06 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-06 Business Transactions - No business transactions between the City and City officials or employees were noted.

- II-E-06 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- II-F-06 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

- II-G-06 Revenue Notes - The City had no revenue notes outstanding during the year.

- II-H-06 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utilities' investment policy.

- II-I-06 Official Depositories - A resolution naming official depositories has not been approved by the City as is required by Chapter 12 C.2 of the Code of Iowa.

Recommendation - We recommend the City Council approve a depository resolution covering all financial institutions utilized.

Response - We will approve a depository resolution covering all financial institution account balances.

Conclusion - Response accepted.